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Message Text

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PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJECT: "INCORPORATION" PREMIUM, TWO-TIER INTERVENTION PRICE
SYSTEMFOR EC WHEAT

REF: (A) FASTO CIRCULAR 308 (B) EC BRUSSELS 06230 (C) EC
A-409 OF 11/8/73 (D) EC BRUSSELS 01719

1. SUMMARY: THE DRAFT PROPOSED BY THE COMMISSION FOR A
COUNCIL RESOLUTION RE COMMON WHEAT "UNSUITABLE FOR BREADMAKING"
CALLS FOR (1) THE ESTABLISHMENT OF SEPARATE PRICES ("THOSE
APPLICABLE TO FEED GRAINS") FOR THOSE WHEAT VARIETIES FOR THE
1976/77 MARKETING YEAR, (2) CONCENTRATION OF EXPORT POLICY
ON WHEAT OF BREAD-MAKING QUALITY AND (3) FOR THE 1975/76
MARKETING YEAR, PAYMENT OF AN 8 U.A./M.T. "INCORPORATION"
PREMIUM (FROM AUGUST 1 TO NOVEMBER 30) PLUS THE RESALE AT REDUCED
PRICES BY INTERVENTION AGENCIES OF "NON-BREAD MAKING WHEAT" FOR
ANIMAL FEED MANUFACTURE. HOWEVER, THIS RESOLUTION HAS NOT YET
BEEN ACCEPTED BU THE SPECIAL AGRICULTURAL COMMITTEE BECAUSE
OF DISAGREEMENT AS TO THE AMOUNT OF AND THE CONDITIONS GOVERN-
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ING THE INCORPORATION PREMIUM. SEVERAL POSSIBILITIES ARE BEING

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DISCUSSED WITH REGARD TO THE INSTITUTION OF THE 1976/77 PRICE SCHEME INCLUDING THE STABLISHMENT OF A SINGLE INTERVENTION PRICE FOR ALL FEEDGRAINS INCLUDING FEED WHEAT. END SUMMARY.

2. THE MISSION HAS OBTAINED THE FOLLOWING DRAFT COUNCIL RESOLUTION PROPOSED BY THE COMMISSION CONCERNING THE PROBLEM OF COMMON WHEAT "UNSUITABLE FOR BREAD-MAKING": BEGIN QUOTE
THE COUNCIL AGREES, AS FROM THE START OF 1976/77 MARKETING YEAR, THE PRICES TO BE ESTABLISHED FOR THOSE NEW VARIETIES OF WHEAT KNOWN AS "NON-BREAD MAKING", WITHIN THE FRAMEWORK OF TH COMMON ORGANIZATION OF MARKETS, SHALL BE THOSE APPLICABLE TO FEED GRAINS AND NOT THAT FOR COMMON WHEAT OF BREAD-MAKING QUALITY.
THE COUNCIL INVITES THE COMMISSION TO PRESENT APPROPRIATE MEASURES IN THIS RESPECT AT THE SAME TIME AS THE PRICE PROPOSALS FOR THE 1976/77 MARKETING YEAR.
THE COUNCIL TAKES NOTE OF THE COMMISSION'S INTENTION TO CONCENTRATE EXPORT POLICY FOR COMMON WHEAT ON WHAT OF BREAD-MAKING QUALITY. THE COUNCIL TAKES NOTE THAT FOR THE MARKETING YEAR 1975/76 THE COMMISSION EXCEPTIONALLY ENVISAGES THE FOLLOWING:

1) AN AID FOR THE INCORPORATION OF NON-BREAD MAKING WHEAT IN COMPOUND ANIMAL FEEDING STUFFS OF 8 UNITS OF ACCOUNT PER TON FROM 1 AUGUST 1975 TO 30 NOVEMBER 1975.

2. THE RESALE, BY INTERVENTION AGENCIES,OF NON BREAD-MAKING WHEAT FROM INTERVENTION AT A PRICE RELATED TO THAT OF FEED GRAINS ON CONDITION THAT IT IS INCORPORATED (CRUSHED OR MIXED) IN THE MANUFACTURE OF ANIMAL FEEDING STUFFS. END QUOTE.

3. INTRODUCTORY REMARKS TO THIS DRAFT NOTE THAT THE NON-BREAK-MAKING WHEATS GIVE YIELDS 15-20 PERCENT HIGHER THAN THE BEST BREAD-MAKING WHEATS, THAT THEY HAVE GOOD ANIMAL FEEDING CHARACTERISTICS, AND THAT THEY ACCOUNT FOR 10-50 PERCENT OF THE AREA SOWN TO COMMON WHEAT IN THE VARIOUS MEMBER STATES (A PERCENTAGE LIKELY TO SHOW SHARP INCREASE). IT IS ALSO NOTED THAT AT PRESENT IT IS VERY DIFFICULT TO DETERMINE THE BREAD-MAKING QUALITY OF WHEAT WITHOUT KNOWLEDGE OF ITS ORIGIN OR VARIETY. THE SYSTEM TO BE QT INTO EFFECT FOR 1976/77 SHOULD BE MADE KNOWN BEFORE THE 1975 AUTUMN SOWING AND SHOULD "ENSURE THE
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PROFITABILITY OF WHEAT OF BREAD-MAKING QUALITY" AND "FACILITATE THE DISPOSAL OF UNSUITABLE WHEAT IN THE FEED GRAINS MARKET AT THE LEAST COST TO FEOGA." THE "INCORPORATION" PREMIUM IS SAID TO BE BASED ON THE DIFFERENCE BETWEEN THE ACTUAL PRICES OF BBARLEY AND SOFT WHEAT ON THE COMMUNITY MARKET.

4. THE SPECIAL AGRICULTURAL COMMITTEE, WHICH INCLUDES THE PERMANENT REPRESENTATIVES OF THE MEMBER STATES AND PAVES THE

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WAY FOR AGREEMENT BY THE COUNCIL OF MINISTERS, HAS NOT ACCEPTED
THE DRAFT RESOLUTION. THE MAJOR POINTS OF CONTENTION CONCERN
THE 1975/76 MEASURES, I.E., THE "INCPORPORATION"
PREMIUM AND THE TIME PERIOD AND CONDITIONS GOVERNING ITS USE --
IN PARTICULAR, WHETHER OR NOT THE PREMIUM SHOULD BE SPECIFICALLY
DESIGNATED FOR "NON BREAK-MAKING WHEAT." SOME
MEMBER STATES (ESPECALLY THE UK) WOULD PREFER TO HAVE NO
REFERENCE TO THE TEMPORARY 1975/76 MEASURES CONTAINED IN THE
RESOLUTION; THE COMMISSION DOES NOT NEED APPROVAL BY THE COUNCIL
OF MINISTERS TO IMPLEMENT THE MEASURES PROPOSED FOR 1975/76.
RECENT REPORTS OF POSSIBLE LARGE GRAIN PURCHASES BY THE USSR
HAVE ALSO MADE EC OFFICIALS MORE CAUTIOUS. THE SPECIAL
AGRICULTURAL COMMITTEE WILL MEET AGAIN ON JULY 14 AND 15
TO ATTEMPT TO RESOLVE THESE DIFFERENCES.

COMMENT: BARRING A DRASTIC TURNAROUND IN THE WORLD GRAIN
MARKET, TEMPORARY AIDS FOR WHEAT FEEDING WILL BE PUT INTO EFFECT
AUGUST 1. REGARDLESS OF WORDING, THE "INCORPORATION"
PREMIUM" AND THE RESALE AT REDUCED PRICES FROM INTERVENTION
STOCKS WILL ALMOST CERTAINLY APPLY TO ALL TYPES OF SOFT WHEAT
BECAUSE OF CURRENT TECHNICAL PROBLEMS IN DISTINGUISHING NON
BREAD-MAKING VARIETIES.

5. WITH REGARD TO THE SYSTEM TO BE INSTITUTED IN 1976/77,
QUITE A NUMBER OF POSSIBILITIES ARE BEING DISCUSSED, WITH ONLY
THE PRINCIPLE OF DIFFERENCE INTERVENTION PRICE TREATMENT FOR
BREAD-MAKING AND NON BREAD-MAKING WHEATS GENERALLY AGREED UPON.
SERIOUS EVALUATIONS OF THESE PROPOSALS WILL PROBABLY NOT
BEGIN UNTIL AUTUMN. AMONG THE POSSIBILITIES ARE:
(A) DIFFERENET INTERVENTION PRICES FOR MILLING AND NON-MILLING
QUALITY WHEAT ALONG WITH TWO DIFFERENT THREASHOLD PRICES AND
EXPORT SUBSIDIES.
(B) AN INTERVENTION PRICE ONLY FOR NON-MILLING WHEAT WITH SUIT-
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ABLE MEASURES -- I.E., PREMIUMS OR "INTERVENTION C" TO ENSURE AN
APPROPRIATE PRICE FOR MILLING QUALITY WHEAT. INTERVENTION C IS A
NEW CONCEPT WHICH WOULD GIVE THE COMMISSION MORE LEEWAY WITH REGARD
TO INTERVENTION MEASURES, PERMITTING THE "ACTIVE" STOCKPILING-
POLICY RECOMMENDED IN THE STOCKTAKING REPORT. (REF. D).
THE INTERVENTION PRICE FOR NON-MILLING QUALITY WHEAT COULD BE
SET AT ABOUT THE LEVEL OF A PARTICULAR FEED GRAIN (BARLEY) OR
A SINGLE INTERVENTION PRICE COULD BE SET FOR ALL FEEDGRAINS
INCLUDING FEED WHEAT (OR FOR ALL GRAINS IF QUALITY PREMIUMS
WERE PAID TO SUPPLEMENT THE PRICE OF MILLING WHEAT.)
(C) AN INTERVENTION PRICE ONLY FOR MILLING QUALITY WHEAT WITH THE
POSSIBILITY OF INTERVENTION C MEASURES FOR NON-MILLING QUALITY
WHEAT.

6. A SOURCE IN THE DUTCH DELEGATION VIEWS THE ESTABLISHMENT OF

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A SINGLE INTERVENTION PRICE FOR FEEDGRAINS AND NON-MILLING QUALITY WHEAT AS A DISTINCT POSSIBILITY. (HE FELT THAT THIS LOWER INTERVENTION PRICE MIGHT BE APPLIED NOT ONLY TO NEW VARIETIES -- MARIS HUNSTSMAN, CLEMENT, TALENT -- BUT ALSO TO CERTAIN OLDER, LOW QUALITY WHEAT VARIETIES). HE FEELS THAT THE INERTIA WHICH HAD CHARACTERIZED THE MEMBER STATE RESPONSE TOWARDS THE COMMISSION'S PROPOSALS FOR BETTER GRAIN PRICE RATIONS (SEE REF. C) HAS BEEN SHAKEN BY THE EXPLOSIVE DEVELOPMENT OF THE NEW HIGH YIELDING, LOW QUALITY WHEAT VARIETIES. THUS, THE PROSPECTS FOR RADICAL CHANGE HAVE APPRECIABLY IMPROVED. HE FELT HOWEVER, THAT THERE WAS LITTLE CHANCE THAT INTERVENTION PRICES FOR MILLING QUALITY WHEAT (SET AT A LEVEL HIGHER THAN FEED GRAIN INTERVENTION PRICES) WOULD BE ABANDONED.GREENWALD

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